

Lanesboro Public Utilities
Council Chambers
August 28th, 2014, 6:00 p.m.

Commissioners Present: Gerald Evenson, Chair
Theresa Coleman, Dennis Schuck

Absent: Jerod Wagner

Staff Present: Jim Peterson

Visitors: Mike Davy, Jim Kochie and Tom Smith

Commissioner Evenson called the meeting to order at 6:00 p.m. Commissioner Coleman moved to adopt the agenda with the addition of Fishbaugher utility account and Charlebois request for information to be discussed under miscellaneous. Motion was seconded by Commissioner Schuck. Motion carried.

Commissioner Coleman moved to approve the minutes of the July 21st, 2014 meetings. Motion was seconded by Commissioner Schuck. Motion carried.

New Business

A. Davy Engineering-Well Drilling Update

The well drillers are currently at 900 feet with a good alignment test. They are grouting the hole which requires a 72 hour set time and will continue to drill once the grout cures. They will then advance the drill through the remaining 200 feet on Tuesday, August 26th.

B. Davy Engineering-WTP Bid Opening

Davy Engineering in conjunction with the City of Lanesboro received and opened all bids submitted for the WTP at 2:00 p.m. on August 28th, 2014. There were nine bidders in total and the project was bid out in four parts; General-Mechanical, Electrical and Controls, Water Main and PRV Stations, and Turbine Pumps and Well Abandonment. Davy Engineers tabulated all bids and will recommend awards later in the meeting.

Regular Business

A. Payables

Commissioner Coleman moved to pay expenses of the Lanesboro Public Utilities. Motion seconded by Commissioner Schuck. Motion carried.

B. Review and Approve Change Order #2 for Well Relocation and Pit-less Unit

Mike Davy of Davy Engineering brought forth change order #2 request from Mark J. Traut Wells, Inc. for the relocation of the well drilling rig due to the inability to acquire a good alignment through the substrate material in the initial location and also for the utilization of a pit-less well mechanism due to the relocation and inability to house the pump within the water treatment facility. Motion was made by Commissioner Coleman to approve the change order upon the recommendation of Davy Engineering. Motion was seconded by Commissioner Schuck. Motion carried all in favor.

C. Review Bids on Water Treatment Facility Project

Mike Davy presented the bid tabulations for the project from the nine bidders whom submitted proposals for this project. As noted earlier, the project was broken down into four proposals in which bids were accepted; General-Mechanical, Electrical and Controls, Water Main and PRV Stations, and Turbine Pumps and Well Abandonment. Davy indicated that the low bidder on proposal #1 is Wapasha Construction, Inc. out of Winona, MN with a bid of \$1,956,506.88 for proposed work on water treatment facility and Ridgeview Lane booster station (section A) and connecting mains for the facility and booster stations (section B). Low Bidder for proposal #2 is Norman's Electric out of Rushford, MN with a bid of \$460,294.00 for proposed work on electrical controls on the water treatment facility and Ridgeview Lane booster station (section A) and electrical controls for pump house #1 PRV station, Auburn Street PRV station, Golf Course PRV station and the Elmwood PRV station (section B). Proposals 1 and 2 lump sum bid totals \$2,416,800.88. Proposal #3 Water mains and PRV stations general and mechanical bid was rejected at \$220,000 and will be rebid at a later date. Davy indicated that the specifications were not clear that the contractor must accept award of section A or section B only and this will be rebid as a separate project. Proposal #4 turbine pumps and well abandonment will be deferred at this time as the base bid was too high at \$415,250.00 and there was only a sole bidder at this time. Davy indicated that this portion of the project could be rebid or there may be grant funding or alternative funding for this portion of the project. The total estimated project cost as of this bidding is \$3,052,150.88 which includes proposals #1 and #2 but defers #3 and #4. The proposal also deletes the chain link fencing but keeps the garage addition in the award.

D. Review Water Project Financing and Estimated Rate Impacts

The Following is the cost summary of the project. It should be noted that this cost summary includes the repayment of the Midi-Loan Well #4 construction costs as well as costs already incurred in the itemized total estimated construction costs section:

August 29, 2014 DAVY ENGINEERING CO. 1560-001.031 Recommended Award Lanesboro WTP/Cost

COST SUMMARY

WATER TREATMENT PLANT & PRV STATIONS

LANESBORO, MINNESOTA

Total Recommended Awards WTP & PRV Stations	2,416,800.88 \$
PRV Stations (Estimated Cost)	220,000.00 \$
Turbine Pumps and Well Abandonment (Estimated Cost)	415,350.00 \$
Well #4	496,745.00 \$
Relocate Well, Pitless Unit	5 0,225.00 \$
TOTAL ESTIMATED CONSTRUCTION COST	3,599,120.88 \$
Engineering	
Preliminary	1 6,700.00 \$
Coordinate Pilot Plant	1,800.00 \$
Design	168,830.00 \$
Design Garage and Ridgeview Booster	2 0,000.00 \$
Bid & Award (3)	2 6,000.00 \$
Construction Phase	250,000.00 \$
Monitoring Well Drilling & Testing	2 5,000.00 \$
Environmental Review	2,750.00 \$
Grant Application/Administration	1 5,000.00 \$
Water Rate Review	2,500.00 \$
Legal Description Access Road	900.00 \$
Boundary Surveys	3,870.00 \$
Pilot Plant	1 3,500.00 \$
Final Well Lab Analysis	3,500.00 \$
Wellhead Protection Plan Amendment	MDH
Electrical/Gas Service to WTP and Booster	1 2,000.00 \$
Land	1 0,000.00 \$
Interest During Construction	3 6,500.00 \$
Legal & Administrative	
General Legal	5,000.00 \$
Publication Costs	300.00 \$
Bond Counsel	7,500.00 \$
Contingencies (5%)	179,960.00 \$
Subtotal	801,610.00 \$
TOTAL ESTIMATED PROJECT COSTS	4,400,730.88\$

The following is the financing breakdown of the project:

August 29, 2014 DAVY ENGINEERING CO. 1560-001.031 Recommended Award Lanesboro WTP/Financing PFA

FINANCING

WATER TREATMENT PLANT & PRV STATIONS

LANESBORO, MINNESOTA

TOTAL ESTIMATED PROJECT COSTS **4,400,730.88\$**

DWRF Principal Forgiveness (285,000.00)\$

Well Abandonment Grant(s) (20,000.00)\$

Balance to be Financed **4,095,730.88\$**

DWRF Loan

Interest Rate 1.1%

Term, years 30

Annual Principal & Interest Payment 161,030.00\$

Existing Water Debt 44,300.00\$

10% Bond Reserve 20,530.00\$

Annual Debt Budget **225,860.00\$**

Water O&M **122,900.00\$**

TOTAL ANNUAL REVENUE REQUIRED **348,760.00\$**

Water Rates

REU	563	401.17\$	per REU per year	33.43\$
Annual Water Sales	23,300,000	5.27\$		per 1,000 gals.

The aforementioned information shows that the water service must generate and annual amount of \$348,760.00 in order to satisfy existing debt plus the current project

E. Tentative Award of Contracts (Subject to Completion of PFA Financing)

Commissioner Evenson made a motion to accept the bids for contracts for Proposal(s) #1 and #2 per recommendation of Davy Engineering and defer proposal #3 and reject proposal #4 also per Davy Engineering's recommendation. Motion also indicated that the proposals #3 and #4 be rebid at a later date. Motion will be a recommendation to the City Council to accept the recommendation of the PUC and approve the bids for proposal #1 and #2 while deferring #3 and rejecting #4 both to be rebid at a later date. Motion was seconded by Commissioner Coleman. Motion carried all in favor.

F. G.O. Utility Bond Payoff (1996 and 2009A)-Prelude to PFA Financing

Davy Engineering recommends to defer any action taken on this issue at present in order to work through PFA financing contingencies prior to any debt service payoffs. Motion was made by Commissioner Coleman to table discussion of bond payoff until financing details can be worked through. Motion was seconded by Commissioner Evenson. Motion carried all in favor.

G. MMUA Safety Management Program Contract Renewal

Administrator Todd advised the PUC that the MMUA Safety Program contract was up for renewal. Todd indicated that the renewal amount was \$4,600 annually or \$1,150 quarterly. Motion was made by Commissioner Coleman to renew the safety contract through the MMUA in the quarterly amount. Motion was seconded by Commissioner Evenson. Motion carried all in favor.

H. Tri-County Acquisition-Resolution of Support

Tri-County Electric Cooperative is seeking support, via a City resolution, to acquire service territory from Alliant Energy including its customers and property. This will increase the customer base for Tri-County to include an additional 2,500 customers. They believe that this will increase its economy of scale and could result in lower energy costs by disbursing the cost over more customers. The resolution of support is requested as a symbolic show of support for the acquisition. Motion was made by Commissioner Coleman to recommend the City Council vote aye on the resolution to sponsor the acquisition of the territory. Motion was seconded by Commissioner Schuck. Motion carried all in favor.

I. Severson Energy-LP Contract

Utility Superintendent Jim Peterson recommends to the PUC that we enter into the purchase contract for LP gas on an annual basis at the price of \$1.699 per gallon for a term of one year. These rates are better than purchasing the LP at a term of monthly. Utilities needs to calculate the amount of gallons needed and advise the City Office in order to pre-order. Motion was made by Commissioner Coleman to allow the pre-purchase of the LP gas in the amount calculated by Superintendent Peterson. Motion was seconded by Commissioner Evenson. Motion carried all in favor.

J. Preliminary PUC Budget-2015

Administrator Todd released a preview of the 2015 PUC Budget for the Commission's consideration. The budget highlights the expenditure side and is a working document which seeks input from the Superintendent and Assistant Superintendent of Utilities. The revenue side of the budget will be completed after water rates are calculated and the REU system is implemented.

K. Miscellaneous

Administrator Todd advised the PUC that an individual from the state of Virginia had been seeking information regarding contracts with Dairy Land and Tri-County for power purchased by the PUC as well as rates and savings earned with the utilization of the hydro-generator for power indicating the he has an interest in Lanesboro as a former resident. Todd advised that he sought advice from City Attorney Manion who

indicated that the PUC/City could charge for this information with an official FOIA request. Todd stated that the information being sought is not readily available and would take some time to accumulate. Manion suggested charging \$30.00 per hour for the Administrator's time to accumulate the information as well as a \$.30 charge for copies and a \$5,000 deposit accompanied with an official FOIA request for information. The PUC indicated that the information be withheld until an official request is presented and then the rate structure for the acquisition of the information be conveyed.

Todd advised the PUC that an account held by Fishbaugher is in default and is pending disconnect. Todd stated that the individual had come to the City Office and stated that she could not pay the full amount and was requesting a payment arrangement option. Todd stated that he conveyed to her that she pays half of the past due and current charges and then pays the current charges when due with an additional 10% until the remaining balance is satisfied. The current balance is \$263.39. Todd advised that due to the Labor Day Holiday, she was to come to City Hall on Tuesday, September 2nd with her payment and sign an agreement for payment for the upcoming charges. If she fails to satisfy the initial payment of half the amount and/or defaults on the payment agreement, her utilities will be shut off. Commissioner Coleman made a motion to enter into the agreement as presented with Mrs. Fishbaugher. Motion was seconded by Commissioner Evenson. Motion carried all in favor.

Next Meeting: Tuesday, September 23rd, 2014 at 6:00 p.m.

Adjourn Regular Meeting:

Motion was made by Commissioner Coleman to adjourn the regular meeting of the PUC. Motion was seconded by Commissioner Schuck. Motion carried all in favor.

Respectfully Submitted:

David Todd
City Administrator